

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 3556-01
BILL NO.: HB 1616
SUBJECT: Insurance - General; Insurance Department; Licenses - Professional
TYPE: Original
DATE: February 11, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Insurance Dedicated	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> State Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Insurance (INS)** state they currently license approximately 77,000 agents and 7,500 brokers. INS states that licenses are for two years and the agent license fee and renewal fee is \$25. Broker license fee and renewal fee is \$100. During FY99 INS collected licensing and renewal fees of approximately \$1,405,547. There are 4,342 individuals who hold an agent and broker license that would now only require one license. This would reduce revenues by issuing only one insurance producer license. Currently INS has a late fee of \$25 per month for each month a renewal is late. The proposal would allow renewal of up to one year without additional late fees above the cost of renewal. INS states that revenue loss due to late fees cannot be determined. The proposal calls for agent appointments to be renewed and an appointment renewal fee to be collected. Currently INS collects \$10 per appointment and \$10 when appointments are terminated. They are currently not renewed. The department processes approximately 90,000 appointments and 80,000 terminations annually as agents move between insurers and new agents are added. Renewal appointments would provide an increase in revenue in addition to these appointments and terminations. INS would not require an additional licensing or investigation staff, but modifications to the departments licensing system would be required. In order to transfer licensing files from a two license system to a one license system, allow for appointment renewals and make other modifications required under the proposal 1,528 contract programming hours would be required and \$47,000 for additional hardware and software. INS assumes that it would set insurance producer application fees and renewal fees to ensure no loss of revenue would occur and to also cover the cost of modification to the licensing system.

This proposal would result in an increase in Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2001 (6 Mo.)	FY 2002	FY 2003
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INSURANCE DEDICATED FUND

<u>Income - Department of Insurance</u>			
Licensing fees	\$178,280	Unknown	Unknown
<u>Cost - Department of Insurance</u>			
Expense and equipment	<u>(\$178,280)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

<u>FISCAL IMPACT - State Government</u>	FY 2001 (6 Mo.)	FY 2002	FY 2003
ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
 <u>FISCAL IMPACT - Local Government</u>	 FY 2001 (6 Mo.)	 FY 2002	 FY 2003
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small businesses would expect to be fiscally impacted to the extent they may incur additional licensing fees and administrative costs as a result of the requirements of this proposal.

DESCRIPTION

This proposal would revise the law governing the licensing of insurance agents and brokers. The proposal would remove distinctions between agents and brokers in terms of licensing, referring to each as "insurance producers." The proposal would revise most of the provisions pertaining to licensure including: the courses of study initially required for licensure, continuing education, temporary licensure, the termination and renewal of agency contracts, examination requirements, broker compensation restrictions, suspension and revocation of licenses, penalties for violations, closed and confidential records, and fees for licensure. The proposal has an effective date of January 1, 2001.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

L.R. NO. 3556-01
BILL NO. HB 1616
PAGE 4 OF 4
February 11, 2000

Department of Insurance

A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is stylized with a large initial "J" and a cursive "e" at the end.

Jeanne Jarrett, CPA
Director
February 11, 2000